

# Capital Outlay

Recognizing California's current economic condition, public works projects have become increasingly more important. Besides addressing public health, safety, and other critical infrastructure needs throughout the State, construction projects can provide an important economic stimulus for the State's economy. While the 2001 Budget Act provided \$1.802 billion for State infrastructure needs, California's current economic situation calls for accelerated public works spending.

Public works spending has long been recognized as a means of strengthening weak economies and balancing macro-economic fluctuations, when implemented in a timely manner. Infrastructure development stimulates the economy by creating jobs and spurring demand for materials and services, which in turn creates additional economic activity. It is estimated that 19 jobs are created for every \$1 million of State infrastructure spending.

## Economic Stimulus Package

In an effort to boost the State's economy, the Administration is sponsoring legislation in the current year to authorize and fund an Economic Stimulus Package. This package will appropriate \$678.3 million from lease-revenue bonds to accelerate new public works projects that will stimulate the economy and create more than 13,000 new jobs.

The proposed Economic Stimulus Package consists primarily of the acceleration of the construction of educational facilities for higher education. These projects are best positioned to be accelerated because the planning and design phases are substantially com-

plete and the projects are ready to proceed to construction. The package includes \$279 million for University of California, \$191 million for California State University, and \$170 million for the California Community Colleges. In addition, the package includes \$7 million to replace aging fire stations for the Department of Forestry and Fire Protection, and \$31 million for various other projects.

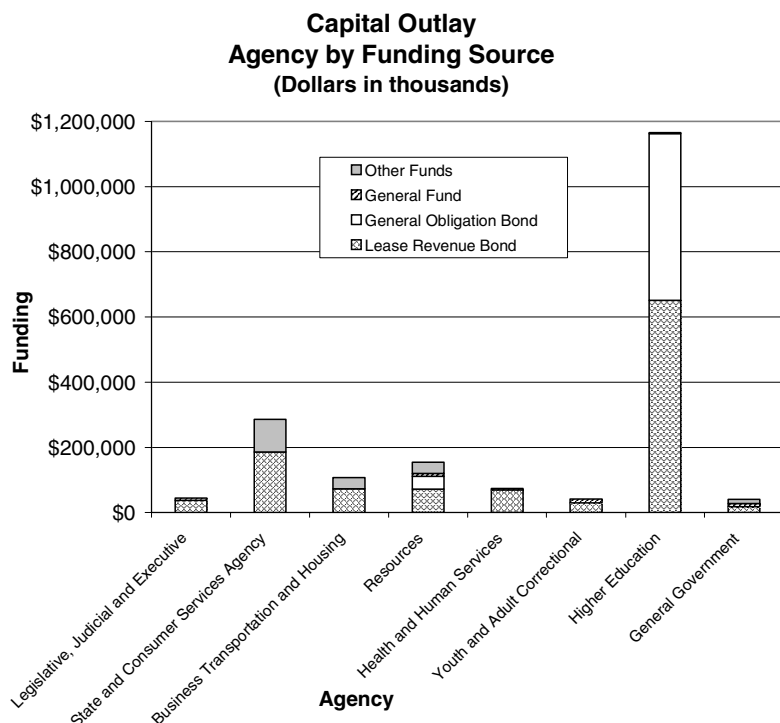
## Capital Outlay Program

In addition to the Economic Stimulus Package, the Governor's 2002-03 Budget proposes \$1.235 billion for the capital outlay program, not including funding for transportation, K-12 schools, and State conservancies (the Business, Transportation, and Housing, Education, and Natural Resources sections describe the funding provided for those programs). Of this amount, \$979 million is for continuing phases of previously approved projects, and \$256 million is for new projects. Funding for this program comes from a number of sources including the General Fund, various special funds, general obligation (GO) bonds, lease-revenue bonds, and federal funds. Figure CO-1 summarizes the proposed

Capital Outlay



Figure CO-1



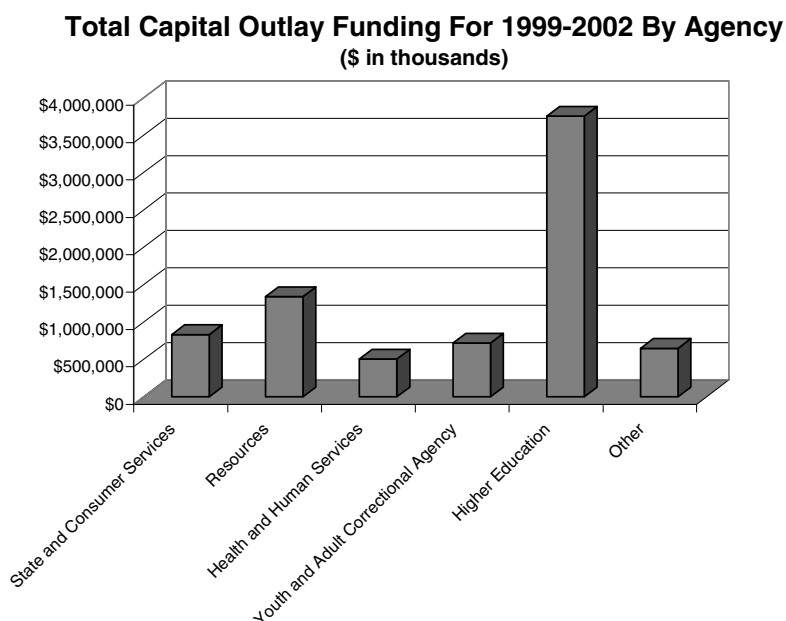
capital outlay program and the Economic Stimulus Package, by agency, as well as by funding source. This will result in over \$7.336 billion invested in capital outlay during the course of this Administration. Figure CO-2 summarizes the capital outlay program for each agency for the last four years.

## 2002-03 Highlights

Highlights of the proposed 2002-03 capital outlay program and Economic Stimulus Package are as follows:

**Higher Education:** The 2002-03 capital outlay program and Economic Stimulus Package total \$1.15 billion. This will result in over \$3.74 billion of funding for this program area over the last four years.

Figure CO-2



**California State University:** \$258.8 million—This amount, proposed from future GO bonds, includes \$110.4 million for the continuation or completion of 20 previously approved projects at 15 campuses, and \$128.4 million for 10 new projects at 9 campuses. The Budget provides an additional \$20 million for minor projects at CSU's 23 campuses. CSU's funding places priority on vital infrastructure projects such as critical telecommunications infrastructure improvements at eight campuses. CSU's funding also addresses existing space deficiencies and enrollment growth. Examples of CSU projects include replacing the current Physical Science Building at Los Angeles; constructing a new classroom/

office facility for general academic, business administration, political science, and economic programs at San Marcos; and renovating and replacing engineering and architecture program buildings at San Luis Obispo.

An additional \$191.3 million from lease-revenue bonds is proposed as part of the Administration's Economic Stimulus Package to accelerate three projects.

**California Community Colleges: \$169.4 million**—Funding includes \$166.4 million for the continuing phases of 76 projects at 53 campuses, and \$3 million to begin three new fire, life, and safety projects at three campuses. The total includes \$7.6 million Higher Education Capital Outlay Bond Fund of 1998 (Proposition 1A) funding and \$161.8 million in proposed GO bonds. These projects will correct seismic deficiencies, provide programmatic upgrades in instructional and library facilities, and construct new classrooms and laboratories for growth.

An additional \$170.5 million lease-revenue bonds is proposed as part of the Administration's Economic Stimulus Package to accelerate 11 projects.

**University of California: \$85.9 million**—This amount includes \$46.7 million for 15 new and \$39.2 million for 5 continuing projects at the 9 existing campuses and the new campus at Merced. The total includes \$8.6 million Proposition 1A bonds and \$74 million in proposed GO bonds. The remainder consists of \$356,000 General Fund for the Thurman

Laboratory seismic correction at Davis and \$3 million Water Bond for the Watershed Science Research Center at Davis.

The Budget proposes projects to address three primary areas: replacement of aging facilities; renovations to address fire, life, and safety, and seismic concerns; and construction of new facilities to accommodate enrollment growth. Examples of new UC projects include seismic projects at Berkeley, Davis, and Los Angeles; enrollment growth projects including the construction of a new computer science facility at Irvine, renovation and expansion of the biomedical library at San Diego, and construction of a new Humanities and Social Sciences Facility at Santa Cruz. Continuing projects include the construction of a Biological Sciences Building at Riverside and an Engineering and Science building at Santa Cruz.

An additional \$279 million from lease-revenue bonds is proposed as part of the Administration's Economic Stimulus Package to accelerate seven projects.

**Hastings College of Law: \$831,000**—This amount addresses health and safety deficiencies at the college's San Francisco instructional facility.

**California State Library**—The Administration's Economic Stimulus Package includes \$10.5 million to renovate space for the Sutro Library as part of a joint library project with California State University at San Francisco.



**State and Consumer Services**—The 2002-03 capital outlay program and Economic Stimulus Package total \$286.3 million.

**Department of General Services (DGS): \$174 million**—Funding for DGS is comprised of two major programs—the Statewide office building program and the seismic retrofit program:

**Statewide Office Building Program: \$152.9 million**—This amount of lease-revenue bonds is to continue the renovation of the Food and Agriculture Building at 1220 N Street, the Education Building, and Office Building 8 concurrently with Office Building 9.

An additional \$13.2 million of lease-revenue bonds is proposed to accelerate the Bonderson building renovation project as part of the Administration's Economic Stimulus Package.

**Seismic Retrofit Program: \$21.1 million**—DGS administers the State's seismic retrofit program to minimize risk to life resulting from major earthquakes by rehabilitating State-owned buildings. The criteria and evaluation process developed by DGS has been used to assess the relative risk of State buildings, and to fund those buildings that pose the greatest risk to the occupants during a major earthquake. The 1990 Seismic Bond Act provided \$250 million in GO bonds for the purpose of earthquake safety improvements of State buildings.

This budget includes the final \$21.1 million of the \$250 million in Seismic Bond proceeds to ensure that existing seismic retrofit projects will not be terminated, thereby maintaining the State's efforts to address this critical safety issue. A total of \$46.6 million General Fund will be needed in 2003-04 to complete those projects already started, and an additional \$54.9 million General Fund will be needed in the future to complete the retrofit of the remaining State facilities currently identified as seismic risks.

**California Science Center: \$96.9 million**—This amount includes \$19.1 million from lease-revenue bonds and an anticipated \$77.8 million from private sources and other governmental funds for the construction of Phase II of the California Science Center. The project is a four-story addition to the existing California Science Center, which combines science exhibits with live animal exhibits, including a two-story reef tank.

**Franchise Tax Board: \$288,000**—This General Fund amount is for security improvements at the Fresno Field Office to complete standardization of security measures at the Board's various office buildings.

**Resources Agency**—The 2002-03 capital outlay program and Economic Stimulus Package total \$154.4 million. This will result in over \$1.341 billion in capital outlay funding for this agency over the last four years.



**Department of Parks and Recreation:**

**\$58.2 million**—This amount includes \$51.6 million (\$34.8 million bond funds, \$8.2 million reimbursements, \$7 million special funds, and \$1.5 million federal funds) for 20 previously approved projects and 13 new projects; \$6.1 million (\$2.2 million special funds and \$3.9 million bond funds) for minor projects; and \$530,000 (\$500,000 bond funds and \$30,000 special funds) for project planning. The new projects include acquisitions, historical restorations, development and maintenance of existing day use and campground parks, environmental restoration at existing parks, and wastewater improvements.

**Department of Forestry and Fire Protection (CDF): \$52.8 million**—This

amount includes \$52.4 million lease-revenue bonds for 21 continuing projects, and \$485,000 General Fund for one minor capital outlay project. One of the continuing projects will relocate CDF's South Operations Headquarters to a site at March Air Force Base.

As part of the Administration's Economic Stimulus Package, \$6.5 million lease-revenue bonds will be proposed to accelerate four projects.

**California Conservation Corps:**

**\$12.9 million**—This amount includes \$12.3 million lease-revenue bonds for one continuing project and \$659,000 General Fund for the minor capital

outlay program. The continuing project is to replace a residential facility due to a lease expiration.

**Department of Boating and Waterways: \$9.8 million**—This

Harbors and Watercraft Revolving Fund amount includes \$4.3 million for various phases of three Boating and Instruction Safety Centers, \$366,000 for the planning phases of two major boat launching facility projects, \$135,000 for project planning, and \$5 million for the minor capital outlay program.

**Department of Water Resources:**

**\$9.6 million**—This amount includes \$7.2 million General Fund and \$2.4 million from local reimbursements for four previously approved flood control projects.

**Department of Fish and Game:**

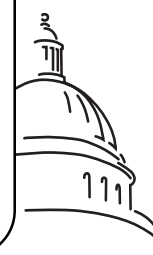
**\$3.9 million**—This amount includes \$250,000 Park Bond and \$14,000 federal funds for the planning phases of a new Research and Education Center at the Elkhorn Slough Ecological Reserve, and \$3.5 million various special funds for minor capital outlay projects.

**Business, Transportation, and Housing—**

The 2002-03 capital outlay program and Economic Stimulus Package total \$106.9 million.

**Department of Transportation:**

**\$86.4 million**—This amount includes \$2.3 million for one new project to replace the Marysville District Office Building. Also included is \$72.6 million



to replace the San Diego District Office Building, and \$11.5 million to complete two seismic projects. The total is comprised of \$72.6 million lease-revenue bonds and \$13.8 million State Transportation Fund.

**Department of the California Highway Patrol: \$12.2 million**—This amount includes funding for three continuing projects to replace field offices in Monterey, South Lake Tahoe, and Williams.

**Department of Motor Vehicles: \$8.3 million**—This amount includes \$7.3 million for the Sacramento Headquarters Building 3<sup>rd</sup> Floor Asbestos Removal and Seismic Retrofit as well as three other projects.

**Health and Human Services Agency**—The 2002-03 capital outlay program and Economic Stimulus Package total \$73 million.

**Department of Health Services (DHS): \$47.7 million**—This amount includes \$47.5 million lease-revenue bonds for the continuing phase of the Phase III office building at the Richmond Laboratory Campus. The office building will be the third and final phase of the Laboratory Campus, and will house all administrative and support staff associated with Bay Area laboratory programs. Also included is \$150,000 General Fund to complete a study that will identify DHS' future laboratory needs in Southern California.

**Department of Mental Health: \$21.5 million**—This amount includes \$21.4 million lease-revenue bonds for continuing phases of three projects, and \$94,000 General Fund for one new project. The new project will make upgrades to the electrical generator plant at Patton State Hospital.

**Department of Developmental Services: \$3.7 million**—This General Fund amount will complete security improvements at the Lanterman Developmental Center.

**Legislative, Judicial, and Executive**—The 2002-03 capital outlay program and Economic Stimulus Package total \$44.1 million.

**Judicial Council: \$31.9 million**—This amount, from lease-revenue bonds, provides for the continuation of two new courthouse projects for the Fourth Appellate District in Santa Ana and the Fifth Appellate District in Fresno.

**Department of Justice: \$10.5 million**—This amount includes \$5 million General Fund for the Statewide DNA Laboratory, and \$5.5 million lease-revenue bonds for the Santa Barbara Replacement Laboratory.

**Office of Emergency Services: \$1.6 million**—This General Fund amount provides for the design and construction of a perimeter fence for the new Headquarters and Control Center.



**Youth and Adult Correctional**

**Agency**—The 2002-03 capital outlay program and Economic Stimulus Package total \$41.5 million.

**California Department of Corrections:**

**\$22.5 million**—This amount includes \$4.3 million General Fund and \$12.8 million lease-revenue bonds for the continuing phases of 10 previously approved projects; \$1.9 million General Fund to begin 2 new projects; \$3 million General Fund for statewide minor projects; and \$500,000 General Fund for statewide budget packages. The proposed new projects address critical infrastructure deficiencies at California Institution for Men and Salinas Valley State Prison.

**Department of the Youth Authority:**

**\$19 million**—This amount includes \$2.3 million General Fund for minor capital outlay projects and master planning, and \$16.7 million lease-revenue bonds for the continuing phases of four previously approved projects.

**General Government**—The 2002-03 capital outlay program and Economic Stimulus Package total \$41.5 million.

**Department of Food and Agriculture:**

**\$21.2 million**—This amount includes \$11.2 million lease-revenue bonds and \$10 million State Highway Account Funds for the continuation the Yermo and Dorris agriculture inspection stations.

**Military Department: \$9.5 million—**

This amount includes \$6.3 million General Fund for the continuing phases of two projects, \$2.3 million General Fund for one new project, and \$855,000 for minor capital outlay projects. In addition, the federal government will be contributing another \$13.9 million for the Azusa and Lancaster armories.

**Department of Veterans Affairs:**

**\$2.6 million**—This amount will fund major and minor projects at the Yountville Veterans' Home, including \$2 million (\$253,000 General Fund, \$617,000 Veterans' Home Fund, and \$1,145,000 Federal Funds) for two previously approved projects, and \$359,000 (\$126,000 Veterans' Home Fund and \$233,000 Federal Funds) for two new projects. The new projects consist of renovating a 1.25 million gallon capacity water system and the Memorial Chapel. The Budget also includes \$273,000 General Fund for minor projects.

Current year adjustments include \$6.6 million in reimbursement authority as part of the Administration's Economic Stimulus Package to renovate the Lincoln Theater.





## Debt Service On Bonds

The debt service cost displayed in Figure CO-3 represents the combination of the annual cost of general obligation bonds and lease payments for lease-revenue bonds. Total annual debt service costs are \$3.250 billion in 2001-02, and are estimated to be \$3.653 billion in 2002-03.

**General Obligation Bonds**—California currently owes \$20.5 billion in principal on outstanding non-self liquidating general obligation (GO) bonds as of the end of calendar year 2001. The State General Fund cost for the payment of

interest and redemption on these bonds is \$2.5 billion in 2001-02, and is estimated at \$2.6 billion in 2002-03.

**Lease-Revenue Bonds**—The State also uses lease-revenue bonds to supplement the GO bond program. The lease-revenue method of financing projects has been used for higher education facilities, State prison construction, general-purpose office buildings, and other types of projects when a lease can be created that provides a marketable security for the issuance of the bonds.

Outstanding lease-revenue bonds totaled \$6.379 billion as of December 1, 2001, and are estimated to total \$6.749 billion as of June 30, 2002, and \$6.510 billion as of June 30, 2003. The cost for lease payments (principal and interest) was \$533.1 million in 2000-01, and is estimated to be \$525.7 million in 2001-02 and \$555.1 million in 2002-03.

A common measure of bonded indebtedness is the ratio of net tax-supported debt to General Fund revenues. Using this measure, California's General Fund debt ratio for 2001-02 is 4.6 percent and would rise to a maximum of 5.4 percent in 2003-04. This increase is the result of education and resources general obligation bonds authorized by voters statewide up through 2000.

Figure CO-3

Debt Service Cost as Compared to the  
Percentage of General Fund Revenues  
(Dollars in millions)

